

**EMINENCE INDEPENDENT  
BOARD OF EDUCATION**

**Basic Financial Statements,  
Supplementary Information,  
and Independent Auditor's Reports**

**Year Ended June 30, 2017**

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Basic Financial Statements, Supplementary Information, and Independent Auditor's Reports

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**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Basic Financial Statements,  
Supplementary Information,  
and Independent Auditor's Reports**

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**HENDERMAN, JESSEE & COMPANY, PLLC**  
*Certified Public Accountants*

**Independent Auditor's Report**

Kentucky State Committee for  
School District Audits  
Eminence Independent Board of Education  
Eminence, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eminence Independent Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eminence Independent Board of Education as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 4-10 and 46-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining nonmajor fund financial statements, and the financial statements of the activity funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the financial statements of the activity funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the financial statements of the

activity funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Henderson Jesse Company LLC*

Louisville, Kentucky  
November 3, 2017

# **EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**

## **Management's Discussion and Analysis (MD&A)**

**For the Year Ended June 30, 2017**

This section of Eminence Independent School District's annual financial report presents management's narrative overview (discussion and analysis) of the District's financial performance during the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### **Financial Highlights and Academic Efforts**

#### Mastery Model of College and Career Readiness

- Systemic ICE (Interventions, Connections, and Enrichments)
- Grading Scale of "B or Better" for passing grade
- Standards Based Reporting and Grading with comprehensive systems of competencies
- Exemplars of Eminence Excellence which define an Eminence Degree from K-12
- Defense Panels for Graduation (5, 8, 12)
- BE Ready (Early College Bellarmine Experience)
- Early College Classes offered at Eminence High School
- Personalized Progressions for students per level of Mastery, Interests, Learning Style, etc.
- Embedded Industrial Certificate Opportunity for all students into their Core Classes

#### Student Agency

- VOICE (Vision Of Innovative Classroom Excellence Teams (Teacher and Student)
- Student D.N.A. (Digital Narrative Albums) Cloud-Based Rich Data Model
- Student Voice Surveys, Student Designed Courses, Student Led Course, Student Led PD, etc.
- Advisor/Advisee Advocates (one assigned to every student)
- SPARC Teams (Student Parent Advisor Readiness Councils) Success Teams
- Interest Based Lessons aligned to students SPARC, Career Interests, Hobbies, Skills, etc.
- Official Student SBDM (Site Based Decision Members) with full voting privileges
- Tens of Thousands of Dollars raised for Philanthropy and 1000s of hours annually (K-12)

#### Next Generation Skills

- ACES (1:1 Initiative) Every Student Receives a Device
- Student Performance Based Assessments
- Next Generation Skills Continuum for Grades K-12
- Design Thinking employed at all Grades (Harvard D-School Framework); 3D Printing, Coding, etc.
- Students master 100s of Web 2.0 Tools while creating a portfolio of their evidence of mastery
- Modeling Strategies - Teachers in PD and All Meetings
- Personalized PD for Teachers - State's 1st Wi-Fi Bus
- Flipped Classrooms/Blended Learning/Personalized-Adaptive Math & ELA Lessons (K-12)
- District-Wide Learning Management System / State Provided Student Information System
- Designing a Core Competency Collector and Dashboard (CoCoA) App

# **EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**

## **Management's Discussion and Analysis (MD&A), continued**

**For the Year Ended June 30, 2017**

### **Financial Highlights and Academic Efforts, continued**

#### **Building Improvements**

- Purchased key fobs and new locks for the entire district
- Upgraded security and camera system
- Improved energy efficiency through retrofitting lighting, etc.
- New freezer and refrigerator for the cafeteria
- Renovation of the WAC and addition of the Field House
- Improved and expanded parking for school and athletics
- Created and installed a new Culinary Arts Classroom
- Renovated South Campus
- Playground improvements
- Building upgrades and improvements

### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



# **EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky**

## **Management's Discussion and Analysis (MD&A), continued**

**For the Year Ended June 30, 2017**

### **Overview of Financial Statements, continued**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14 through 23 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 45 of this report.

### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of the governmental financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,367,447 for Governmental Activities, and \$55,021 for Business-Type Activities as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**EMINENCE INDEPENDENT BOARD OF EDUCATION - Eminence, Kentucky****Management's Discussion and Analysis (MD&A), continued****For the Year Ended June 30, 2017****Government-wide Financial Analysis, continued**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the period ending June 30, 2017 as compared to June 30, 2016:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>
Current and other assets	\$ 2,896,157	\$ 4,011,411	\$ 121,131	\$ 111,464	\$ 3,017,288	\$ 4,122,875
Capital assets	12,900,835	11,608,866	93,304	62,969	12,994,139	11,671,835
Deferred outflows of resources	<u>402,635</u>	<u>239,547</u>	<u>67,620</u>	<u>41,612</u>	<u>470,255</u>	<u>281,159</u>
Total assets and deferred outflows	<u>16,199,627</u>	<u>15,859,824</u>	<u>282,055</u>	<u>216,045</u>	<u>16,481,682</u>	<u>16,075,869</u>
Long-term debt outstanding	8,872,870	9,357,058	--	--	8,872,870	9,357,058
Net pension liability	1,317,633	1,054,276	222,540	180,542	1,540,173	1,234,818
Other liabilities	614,411	652,285	--	--	614,411	652,285
Deferred inflows of resources	<u>27,266</u>	<u>45,407</u>	<u>4,494</u>	<u>7,387</u>	<u>31,760</u>	<u>52,794</u>
Total liabilities and deferred inflows	<u>10,832,180</u>	<u>11,109,026</u>	<u>227,034</u>	<u>187,929</u>	<u>11,059,214</u>	<u>11,296,955</u>
Net position						
Net investment in capital assets	3,753,074	1,997,448	93,304	62,969	3,846,378	2,060,417
Restricted	2,171,418	2,198,037	6,720	10,597	2,178,138	2,208,634
Unrestricted	<u>(557,045)</u>	<u>555,313</u>	<u>(45,003)</u>	<u>(45,450)</u>	<u>(602,048)</u>	<u>509,863</u>
Total net position	<u>\$ 5,367,447</u>	<u>\$ 4,750,798</u>	<u>\$ 55,021</u>	<u>\$ 28,116</u>	<u>\$ 5,422,468</u>	<u>\$ 4,778,914</u>

**Comments on Budget Comparisons**

1) Excluding on-behalf payments of \$1,249,311, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$385,284 or 7.30% more than budgeted.

2) Actual General Fund expenditures, net of on-behalf payments of \$1,249,311 compared to budget expenditures, net of contingency allotments, was \$1,234,370 or 17.37% less than budget.

**Eminence Independent Board of Education - Eminence, Kentucky**

**Management's Discussion and Analysis (MD&A), continued**

**For the Year Ended June 30, 2017**

The following table presents a summary of revenue and expenses for the fiscal year ended June 30, 2017, for selected funds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ --	\$ --	\$ 104,604	\$ 106,660	\$ 104,604	\$ 106,660
Operating grants and contributions	649,466	639,513	385,692	344,890	1,035,158	984,403
Capital grants and contributions	554,329	333,946	--	--	554,329	333,946
General revenues:						
Property taxes	1,315,213	1,240,330	--	--	1,315,213	1,240,330
Other taxes	223,542	194,153	--	--	223,542	194,153
Investment earnings	3,821	11,584	118	177	3,939	11,761
State and formula grants	4,323,815	4,069,976	3,738	4,426	4,327,553	4,074,402
State on-behalf payments	1,448,105	1,360,230	54,402	56,201	1,502,507	1,416,431
Miscellaneous	<u>422,451</u>	<u>516,030</u>	<u>--</u>	<u>--</u>	<u>422,451</u>	<u>516,030</u>
Total revenues	<u>\$ 8,940,742</u>	<u>\$ 8,365,762</u>	<u>\$ 548,554</u>	<u>\$ 512,354</u>	<u>\$ 9,489,296</u>	<u>\$ 8,878,116</u>
<b>Summary of Expenses</b>						
Expenses						
Instruction	\$ 5,166,305	\$ 4,849,602	\$ --	\$ --	\$ 5,166,305	\$ 4,849,602
Support services:						
Student	111,262	98,347	--	--	111,262	98,347
Instruction staff	339,807	286,962	--	--	339,807	286,962
District administrative	525,425	522,144	--	--	525,425	522,144
School administrative	372,839	410,668	--	--	372,839	410,668
Business	155,618	138,676	--	--	155,618	138,676
Plant operation and maintenance	1,078,546	722,576	--	--	1,078,546	722,576
Student transportation	231,952	232,358	--	--	231,952	232,358
Facilities acquisition & construction	--	29,658	--	--	--	29,658
Community service activities	66,064	63,853	--	--	66,064	63,853
Other	--	--	--	--	--	--
Interest on long-term debt	276,275	279,433	--	--	276,275	279,433
Food service operation	<u>--</u>	<u>--</u>	<u>521,649</u>	<u>485,999</u>	<u>521,649</u>	<u>485,999</u>
Total expenses	<u>\$ 8,324,093</u>	<u>\$ 7,634,277</u>	<u>\$ 521,649</u>	<u>\$ 485,999</u>	<u>\$ 8,845,742</u>	<u>\$ 8,120,276</u>
Increase (decrease) in net position	616,649	731,485	26,905	26,355	643,554	757,840
Net position - beginning	<u>4,750,798</u>	<u>4,019,313</u>	<u>28,116</u>	<u>1,761</u>	<u>4,778,914</u>	<u>4,021,074</u>
Net position - ending	<u>\$ 5,367,447</u>	<u>\$ 4,750,798</u>	<u>\$ 55,021</u>	<u>\$ 28,116</u>	<u>\$ 5,422,468</u>	<u>\$ 4,778,914</u>

# **Eminence Independent Board of Education - Eminence, Kentucky**

## **Management's Discussion and Analysis (MD&A), continued**

**For the Year Ended June 30, 2017**

### **Budgetary Implications**

In Kentucky the fiscal year for public schools is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$281,801 in contingency overall.

The Eminence Independent Board of Education believes that successful student achievement is the most important task of the school district. They are committed to making sound fiscal decisions to achieve the best educational opportunities for all students.

### **Capital Assets (Net of Depreciation and Amortization)**

As of June 30, 2017, the District had invested \$12,994,139 in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$1,322,304. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>
Land	\$ 176,017	\$ 176,017	\$ --	\$ --	\$ 176,017	\$ 176,017
Buildings and improvements	4,239,178	4,377,677	--	--	4,239,178	4,377,677
Technology equipment	268,463	230,800	--	--	268,463	230,800
Vehicles	205,839	238,527	--	--	205,839	238,527
General equipment	658,172	123,466	--	--	658,172	123,466
Construction in progress	7,353,166	6,462,379	--	--	7,353,166	6,462,379
Food service and equipment	--	--	93,304	62,969	93,304	62,969
	<b><u>\$ 12,900,835</u></b>	<b><u>\$ 11,608,866</u></b>	<b><u>\$ 93,304</u></b>	<b><u>\$ 62,969</u></b>	<b><u>\$ 12,994,139</u></b>	<b><u>\$ 11,671,835</u></b>

**Eminence Independent Board of Education - Eminence, Kentucky**

**Management's Discussion and Analysis (MD&A), continued**

**Year Ended June 30, 2017**

**Debt Administration**

At June 30, 2017, the District had \$9,147,761 in bonds outstanding. Of this amount, \$2,115,918 is to be paid from the KSFCC funding provided by the State. A total of \$377,761 is due within one year.

At June 30, 2016, the District had \$9,611,418 in bonds outstanding. Of this amount, \$2,252,124 is to be paid from the KSFCC funding provided by the State. A total of \$381,418 is due within one year.

Principal payments were made in the amount of \$463,657, representing the net decrease in balance from 2016 to 2017.

Governmental Activities	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Revenue bonds payable	\$ <u>9,611,418</u>	\$ <u>- -</u>	\$ <u>463,657</u>	\$ <u>9,147,761</u>	\$ <u>377,761</u>

## **Government-wide Financial Statements**

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Statement of Net Position**

**June 30, 2017**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,759,144	\$ 111,203	\$ 2,870,347
Inventory	-	6,720	6,720
Accounts receivable	137,013	3,208	140,221
Capital assets	16,727,424	161,945	16,889,369
Less: accumulated depreciation and amortization	<u>(3,826,589)</u>	<u>(68,641)</u>	<u>(3,895,230)</u>
Total assets	<u>15,796,992</u>	<u>214,435</u>	<u>16,011,427</u>
<b>Deferred Outflows of Resources</b>			
Pension contributions - current year	144,228	24,280	168,508
Difference between expected and actual experience	5,670	1,054	6,724
Net difference between projected and actual investment earnings on pension plan investments	124,738	20,054	144,792
Change of assumptions	68,799	12,791	81,590
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>59,200</u>	<u>9,441</u>	<u>68,641</u>
Total deferred outflow of resources	<u>402,635</u>	<u>67,620</u>	<u>470,255</u>
<b>Liabilities</b>			
Accounts payable	53,539	-	53,539
Unavailable revenue	157,357	-	157,357
Long-term liabilities:			
Due within one year	402,437	-	402,437
Due in more than one year	8,873,948	-	8,873,948
Net pension liability	<u>1,317,633</u>	<u>222,540</u>	<u>1,540,173</u>
Total liabilities	<u>\$ 10,804,914</u>	<u>\$ 222,540</u>	<u>\$ 11,027,454</u>

The notes to the basic financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Net Position, continued**

**June 30, 2017**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b>Deferred Inflows of Resources</b>			
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>\$ 27,266</u>	<u>\$ 4,494</u>	<u>\$ 31,760</u>
<b>Net Position</b>			
Net investment in capital assets	3,753,074	93,304	3,846,378
Restricted for:			
Other purposes: (nonexpendable)	2,171,418	6,720	2,178,138
Unrestricted	<u>(557,045)</u>	<u>(45,003)</u>	<u>(602,048)</u>
Total net position	<u>\$ 5,367,447</u>	<u>\$ 55,021</u>	<u>\$ 5,422,468</u>

The notes to the basic financial statements are an integral part of this statement.



# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Statement of Activities

**For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		<b>Total</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
Governmental activities:							
Instruction	\$ 5,166,305	\$ --	\$ 586,878	\$ --	\$ (4,579,427)	\$ --	\$ (4,579,427)
Support services:							
Student	111,262	--	--	--	(111,262)	--	(111,262)
Instruction staff	339,807	--	--	--	(339,807)	--	(339,807)
District administrative	525,425	--	--	--	(525,425)	--	(525,425)
School administrative	372,839	--	--	--	(372,839)	--	(372,839)
Business	155,618	--	--	--	(155,618)	--	(155,618)
Plant operation and maintenance	1,078,546	--	--	--	(1,078,546)	--	(1,078,546)
Student transportation	231,952	--	--	--	(231,952)	--	(231,952)
Facilities acquisition and construction		--	--	554,329	554,329	--	554,329
Community service activities	66,064	--	--	--	(66,064)	--	(66,064)
Interest on long-term debt	<u>276,275</u>	<u>--</u>	<u>62,588</u>	<u>--</u>	<u>(213,687)</u>	<u>--</u>	<u>(213,687)</u>
Total governmental activities	<u>8,324,093</u>	<u>--</u>	<u>649,466</u>	<u>554,329</u>	<u>(7,120,298)</u>	<u>--</u>	<u>(7,120,298)</u>
Business-type activities:							
Food service	<u>521,649</u>	<u>104,604</u>	<u>385,692</u>	<u>--</u>	<u>--</u>	<u>(31,353)</u>	<u>(31,353)</u>
Total business-type activities	<u>521,649</u>	<u>104,604</u>	<u>385,692</u>	<u>--</u>	<u>--</u>	<u>(31,353)</u>	<u>(31,353)</u>
Total primary government	<u>\$ 8,845,742</u>	<u>\$ 104,604</u>	<u>\$ 1,035,158</u>	<u>\$ 554,329</u>	<u>(7,120,298)</u>	<u>(31,353)</u>	<u>(7,151,651)</u>
General revenues:							
Taxes:							
Property taxes					\$ 1,206,573	\$ --	\$ 1,206,573
Motor vehicle taxes					108,640	--	108,640
Utility taxes					193,930	--	193,930
Other taxes					29,612	--	29,612
Investment earnings					3,821	118	3,939
State and formula grants					4,323,815	3,738	4,327,553
On-behalf payments					1,448,105	54,402	1,502,507
Miscellaneous					<u>422,451</u>	<u>--</u>	<u>422,451</u>
Change in net position					616,649	26,905	643,554
Net position - beginning					<u>4,750,798</u>	<u>28,116</u>	<u>4,778,914</u>
Net position - ending					<u>\$ 5,367,447</u>	<u>\$ 55,021</u>	<u>\$ 5,422,468</u>

The notes to the basic financial statements are an integral part of this statement.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Balance Sheet - Governmental Funds

June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,130,013	\$ 24,355	\$ 513,843	\$ 90,933	\$ 2,759,144
Accounts receivable	<u>22,908</u>	<u>114,105</u>	<u>--</u>	<u>--</u>	<u>137,013</u>
Total assets	<u>\$ 2,152,921</u>	<u>\$ 138,460</u>	<u>\$ 513,843</u>	<u>\$ 90,933</u>	<u>\$ 2,896,157</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 53,539	\$ --	\$ --	\$ --	\$ 53,539
Unavailable revenue	<u>--</u>	<u>138,460</u>	<u>--</u>	<u>18,897</u>	<u>157,357</u>
Total liabilities	<u>53,539</u>	<u>138,460</u>	<u>--</u>	<u>18,897</u>	<u>210,896</u>
Fund balances:					
Restricted - sick leave	6,786	--	--	--	6,786
Restricted - other	--	--	--	72,036	72,036
Restricted - future construction	--	--	513,843	--	513,843
Unassigned	<u>2,092,596</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,092,596</u>
Total fund balances	<u>2,099,382</u>	<u>--</u>	<u>513,843</u>	<u>72,036</u>	<u>2,685,261</u>
Total liabilities and fund balances	<u>\$ 2,152,921</u>	<u>\$ 138,460</u>	<u>\$ 513,843</u>	<u>\$ 90,933</u>	<u>\$ 2,896,157</u>

The notes to the basic financial statements are an integral part of this statement.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Statement of Revenues, Expenditures & Changes in Fund Balances Governmental Funds

**For the Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Construction Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes:					
Property	\$ 1,041,641	\$ --	\$ --	\$ 164,932	\$ 1,206,573
Motor vehicle	108,640	--	--	--	108,640
Utilities	193,930	--	--	--	193,930
Other	29,612	--	--	--	29,612
Earnings on investments	2,932	12	863	14	3,821
Other local revenues	304,247	75,854	--	42,350	422,451
Intergovernmental - state	5,227,380	345,746	--	753,123	6,326,249
Intergovernmental - indirect federal	--	580,527	--	--	580,527
Intergovernmental - direct federal	6,351	--	--	--	6,351
Total revenues	<u>6,914,733</u>	<u>1,002,139</u>	<u>863</u>	<u>960,419</u>	<u>8,878,154</u>
<b>Expenditures</b>					
Instruction	4,417,019	860,613	--	34,038	5,311,670
Support services:					
Student	111,870	--	--	--	111,870
Instructional staff	270,248	78,454	--	8,312	357,014
District administration	540,764	--	--	--	540,764
School administration	386,943	--	--	--	386,943
Business	161,430	--	--	--	161,430
Plant operations and maintenance	987,032	--	--	--	987,032
Student transportation	195,184	13,073	--	--	208,257
Community service	--	66,064	--	--	66,064
Facilities acquisition and construction	--	--	1,068,487	--	1,068,487
Debt service:					
Principal	42,934	--	--	453,657	496,591
Interest	9,161	--	--	267,114	276,275
Total expenditures	<u>7,122,585</u>	<u>1,018,204</u>	<u>1,068,487</u>	<u>763,121</u>	<u>9,972,397</u>
Excess (deficit) of revenues over expenditures (carry forward)	<u>\$ (207,852)</u>	<u>\$ (16,065)</u>	<u>\$ (1,067,624)</u>	<u>\$ 197,298</u>	<u>\$ (1,094,243)</u>

The notes to the basic financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Revenues, Expenditures & Changes in Fund Balances  
Governmental Funds, continued**

**For the Year Ended June 30, 2017**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Construction Fund</u></b>	<b><u>Nonmajor Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
Excess (deficit) of revenues of over expenditures (brought forward)	\$ (207,852)	\$ (16,065)	\$ (1,067,624)	\$ 197,298	\$ (1,094,243)
Other financing sources (uses):					
Operating transfers in	192,206	16,065	- -	521,977	730,248
Operating transfers out	<u>(16,065)</u>	<u>- -</u>	<u>- -</u>	<u>(714,183)</u>	<u>(730,248)</u>
Total other financing sources (uses)	<u>176,141</u>	<u>16,065</u>	<u>- -</u>	<u>(192,206)</u>	<u>- -</u>
Net change in fund balances	(31,711)	- -	(1,067,624)	5,092	(1,094,243)
Fund balances June 30, 2016	<u>2,131,093</u>	<u>- -</u>	<u>1,581,467</u>	<u>66,944</u>	<u>3,779,504</u>
Fund balances June 30, 2017	<u>\$ 2,099,382</u>	<u>\$ - -</u>	<u>\$ 513,843</u>	<u>\$ 72,036</u>	<u>\$ 2,685,261</u>

The notes to the basic financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position**

**June 30, 2017**

Total fund balances per fund financial statements	\$ 2,685,261
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	12,900,835
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Outflows related to pension	402,635
Inflows related to pension	(27,266)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave and net pension) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(10,594,018)</u>
Net position for governmental activities	<u>\$ 5,367,447</u>

The notes to the basic financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities**

**For the Year Ended June 30, 2017**

Net change in total fund balances per fund financial statements	\$ (1,094,243)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense this year.	1,291,969
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	496,591
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(77,668)</u>
Change in net position of governmental activities	<u>\$ 616,649</u>

The notes to the basic financial statements are an integral part of this statement.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Statement of Net Position - Proprietary Funds

June 30, 2017

	<b>Food Service Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 111,203
Accounts receivable	3,208
Inventory	<u>6,720</u>
Total current assets	<u>121,131</u>
Noncurrent assets:	
Capital assets	161,945
Less: accumulated depreciation	<u>(68,641)</u>
Total noncurrent assets	<u>93,304</u>
Total assets	<u>214,435</u>
<b>Deferred Outflows of Resources</b>	
Pension contributions - current year	24,280
Difference between expected and actual experience	1,054
Net difference between projected and actual investment earnings on pension plan investments	20,054
Change of assumptions	12,791
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>9,441</u>
Total deferred outflow of resources	<u>67,620</u>
<b>Liabilities</b>	
Noncurrent liabilities:	
Net pension liability	<u>222,540</u>
Total noncurrent liabilities	<u>222,540</u>
Total liabilities	<u>222,540</u>
<b>Deferred Inflows of Resources</b>	
Change in proportion and differences between district contributions and proportionate share of contributions	<u>4,494</u>
<b>Net Position</b>	
Net investment in capital assets	93,304
Restricted for:	
Inventory	6,720
Unrestricted	<u>(45,003)</u>
Total net position	<u>\$ 55,021</u>

The notes to the basic financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Position - Proprietary Funds**

**For the Year Ended June 30, 2017**

	<b>Food Service <u>Fund</u></b>
Operating revenues:	
Lunchroom sales	\$ 104,604
Operating expenses:	
Salaries and wages	255,494
Materials and supplies	255,094
Depreciation expense	10,581
Other operating expenses	<u>480</u>
Total operating expenses	<u>521,649</u>
Operating income (loss)	<u>(417,045)</u>
Non-operating revenues (expenses)	
Federal grants	367,520
Donated commodities	18,172
Other state funding	58,140
Interest income	<u>118</u>
Total non-operating revenue (expenses)	<u>443,950</u>
Change in net position	26,905
Net position June 30, 2016	<u>28,116</u>
Net position June 30, 2017	<u><u>\$ 55,021</u></u>

The notes to the basic financial statements are an integral part of this statement.



**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Cash Flows - Proprietary Funds**

**For the Year Ended June 30, 2017**

	<b>Food Service Fund</b>
Cash flows from operating activities:	
Cash received from lunchroom sales	\$ 104,604
Cash payments to employees for services	(242,397)
Cash payments to suppliers for goods and services	(232,877)
Cash payments for other operating activities	<u>(480)</u>
Net cash used by operating activities	<u>(371,150)</u>
Cash flows from noncapital financing activities:	
Cash received from government grants	<u>425,660</u>
Net cash provided by noncapital financing activities	<u>425,660</u>
Cash flows from capital and related financial activities:	
Purchases of property, plant and equipment	<u>(40,916)</u>
Net cash used by capital and related financial activities	<u>(40,916)</u>
Cash flows from investing activities:	
Interest on investments	<u>118</u>
Net cash provided by investing activities	<u>118</u>
Increase (decrease) in cash and cash equivalents	13,712
Cash and cash equivalents, June 30, 2016	<u>97,491</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 111,203</u>

The notes to the basic financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Cash Flows - Proprietary Funds, continued**

**For the Year Ended June 30, 2017**

	<b>Food Service <u>Fund</u></b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (417,045)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Donated commodities included in operating expenses	18,172
Depreciation expense	10,581
Changes in assets, liabilities and deferred inflows/outflows:	
Decrease in accounts receivable	168
Decrease in inventories	3,877
Increase in deferred outflows	(26,008)
Increase in pension liability	41,998
Decrease in deferred inflows	<u>(2,893)</u>
Net cash used by operating activities	<u>\$ (371,150)</u>
Schedule of non-cash transactions:	
Donated commodities	<u>\$ 18,172</u>

The notes to the basic financial statements are an integral part of this statement.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Statement of Fiduciary Net Position

June 30, 2017

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 90,171
Total assets	<u>90,171</u>
<b>Liabilities</b>	
Due to student groups	<u>90,171</u>
Total liabilities	<u>\$ 90,171</u>

The notes to the basic financial statements are an integral part of this statement.

## **Notes to the Basic Financial Statements**

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Notes to the Basic Financial Statements**

**For the Year Ended June 30, 2017**

### **Note A - Summary of Significant Accounting Policies**

#### Reporting Entity

The Eminence Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Eminence Independent School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Eminence Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

#### Eminence Independent Board of Education Finance Corporation

In a prior year the Board of Education resolved to authorize the establishment of the Eminence School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

#### Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note A - Summary of Significant Accounting Policies, continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

#### I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Notes to the Basic Financial Statements, continued**

**For the Year Ended June 30, 2017**

### **Note A - Summary of Significant Accounting Policies, continued**

#### **(B) Special Revenue Funds**

1. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
2. The District Activity Fund is used to account for funds to support co-curricular and extra-curricular activities not raised or expended by student groups.

#### **(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).**

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

#### **(D) Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.**

### **II. Proprietary Fund Types (Enterprise Fund)**

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note A - Summary of Significant Accounting Policies, continued

#### III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

#### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions- Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unavailable Revenue - Unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.



# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note A - Summary of Significant Accounting Policies, continued

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unavailable revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

#### Property Tax Revenues

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

#### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values where practical.

#### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note A - Summary of Significant Accounting Policies, continued

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
General equipment	10 years

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

### Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Notes to the Basic Financial Statements, continued**

**For the Year Ended June 30, 2017**

### **Note A - Summary of Significant Accounting Policies, continued**

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

The Board does not budget for on-behalf payments, which are reported with the General Fund and the Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

#### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

#### Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

#### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note A - Summary of Significant Accounting Policies, continued

#### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

#### Net Position

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components – *net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

### Note B - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note C - Cash and Cash Equivalents

At year-end, the carrying amount of the District's total cash and cash equivalents, including the activity funds, was \$2,960,518. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

### Note D - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Land	\$ 176,017	\$ --	\$ --	\$ 176,017
Buildings and improvements	6,754,883	--	--	6,754,883
Technology equipment	844,735	141,289	--	986,024
Vehicles	607,664	--	--	607,664
General equipment	294,984	554,686	--	849,670
Construction in progress	<u>6,462,379</u>	<u>890,787</u>	<u>--</u>	<u>7,353,166</u>
Totals at historical cost	<u>15,140,662</u>	<u>1,586,762</u>	<u>--</u>	<u>16,727,424</u>
Less: accumulated depreciation				
Buildings and improvements	2,377,206	138,499	--	2,515,705
Technology equipment	613,935	103,626	--	717,561
Vehicles	369,137	32,688	--	401,825
General equipment	<u>171,518</u>	<u>19,980</u>	<u>--</u>	<u>191,498</u>
Total accumulated depreciation	<u>3,531,796</u>	<u>294,793</u>	<u>--</u>	<u>3,826,589</u>
Governmental activities capital assets - net	<u>\$ 11,608,866</u>	<u>\$ 1,291,969</u>	<u>\$ --</u>	<u>\$ 12,900,835</u>

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note D - Capital Assets, continued

<u>Business – Type Activities</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Food service and equipment	\$ 118,357	\$ 40,917	\$ - -	\$ 159,274
Technology equipment	<u>2,671</u>	<u>- -</u>	<u>- -</u>	<u>2,671</u>
Totals at historical cost	<u>121,028</u>	<u>40,917</u>	<u>- -</u>	<u>161,945</u>
Less: accumulated depreciation				
Food service and equipment	55,388	10,582	- -	65,970
Technology equipment	<u>2,671</u>	<u>- -</u>	<u>- -</u>	<u>2,671</u>
Total accumulated depreciation	<u>58,059</u>	<u>10,582</u>	<u>- -</u>	<u>68,641</u>
Business type activities capital assets - net	<u>\$ 62,969</u>	<u>\$ 30,335</u>	<u>\$ - -</u>	<u>\$ 93,304</u>

### Note E - Capital Lease Payable

The following is an analysis of the lease property under capital lease:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Balance 6/30/16</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Principal Balance 6/30/17</u>	<u>Due Within One Year</u>
2009 KISTA Bond	3/1/2020	2.00% - 3.60%	\$ 87,637	\$ 34,865	\$ - -	\$ 9,033	\$ 25,832	\$ 9,311
2015 KISTA Bond	3/1/2024	2.00% - 3.00%	<u>115,047</u>	<u>89,891</u>	<u>- -</u>	<u>10,901</u>	<u>78,990</u>	<u>11,111</u>
			<u>\$ 202,684</u>	<u>\$ 124,756</u>	<u>\$ - -</u>	<u>\$ 19,934</u>	<u>\$ 104,822</u>	<u>\$ 20,422</u>

<u>Fiscal Year Ending June 30,</u>	<u>District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 20,422	\$ 2,719	\$ 23,141
2019	19,442	2,195	21,637
2020	19,971	1,694	21,665
2021	11,781	1,160	12,941
2022	12,075	910	12,985
Thereafter	<u>21,131</u>	<u>930</u>	<u>22,061</u>
	<u>\$ 104,822</u>	<u>\$ 9,608</u>	<u>\$ 114,430</u>
Total minimum lease payments			\$ 114,430
Less: amount representing interest			<u>9,608</u>
Present value of net minimum lease payments			<u>\$ 104,822</u>

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note F - Bonded Debt

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the Eminence Independent School District Finance Corporation.

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at June 30, 2017</u>	<u>Maturity Date</u>
Series of February 1, 2005	\$ 910,000	2.25% - 4.40%	\$ 70,000	05/01/2024
Series of December 1, 2007	815,000	3.40% - 3.90%	392,761	07/01/2020
Series of January 1, 2010	300,000	3.25% - 4.125%	220,000	01/01/2030
Series of October 1, 2010	420,000	2.25% - 4.00%	320,000	10/01/2030
Series of November 1, 2012	820,000	2.00%	670,000	11/01/2032
Series of February 12, 2016	<u>7,820,000</u>	2.00% - 3.25%	<u>7,475,000</u>	02/01/2035
	<u>\$ 11,085,000</u>		<u>\$ 9,147,761</u>	

Long-term liability activity for the year ended June 30, 2017 was as follows:

<u>Year</u>	<u>Eminence School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 237,914	\$ 195,178	\$ 139,847	\$ 58,926	\$ 631,865
2019	326,310	193,345	143,690	55,084	718,429
2020	337,293	185,078	147,707	51,068	721,146
2021	345,703	176,613	139,297	47,206	708,819
2022	352,801	169,499	112,199	43,936	678,435
2023	354,948	162,203	115,052	41,084	673,287
2024	366,929	154,864	118,071	38,064	677,928
2025	363,317	143,716	121,683	34,453	663,169
2026	379,597	132,816	125,403	30,734	668,550
2027	390,810	121,428	129,190	26,947	668,375
2028	401,909	109,704	133,091	23,046	667,750
2029	412,892	97,647	137,108	19,028	666,675
2030	428,654	85,260	141,346	14,790	670,050
2031	441,034	72,400	118,966	10,575	642,975
2032	451,257	59,169	98,743	7,656	616,825
2033	465,521	45,632	94,479	5,293	610,925
2034	481,466	31,084	48,534	3,191	564,275
2035	<u>493,488</u>	<u>19,556</u>	<u>51,512</u>	<u>1,674</u>	<u>566,230</u>
	<u>\$ 7,031,843</u>	<u>\$ 2,155,192</u>	<u>\$ 2,115,918</u>	<u>\$ 512,755</u>	<u>\$ 11,815,708</u>

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note F - Bonded Debt, continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenue bonds payable	\$ 9,611,418	\$ - -	\$ 463,657	\$ 9,147,761	\$ 377,761

### Note G - Interest Expense

For the year ended June 30, 2017, cash expenditures for interest were \$276,275. Expenditures consist of bond issue and capital lease interest of \$213,687 paid by the District and bond issue interest of \$62,588 paid by Kentucky School Facilities Construction Commission.

### Note H - Retirement Plans

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

#### General information about the County Employees Retirement System Non-Hazardous ("CERS")

*Plan description* - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old



# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 year's service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

#### Required Contribution

Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

#### General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

*Plan description* - Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided* - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### Medical Insurance Plan

*Plan description* - In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* - In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 1,540,173
Commonwealth's proportionate share of the KTRS net pension Liability associated with the District	<u>31,556,265</u>
	<u>\$ 33,096,438</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 0.031281%.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

For the year ended June 30, 2017, the District recognized pension expense of \$345,157 related to CERS and \$2,570,791 related to KTRS. The District also recognized revenue of \$2,570,791 for KTRS support provided by the Commonwealth. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 6,724	\$ - -
Changes of assumptions	81,590	- -
Net difference between projected and actual earnings on pension plan investments	144,792	- -
Changes in proportion and differences between district contributions and proportionate share of contributions	68,641	31,760
District contributions subsequent to the measurement date	<u>168,508</u>	<u>- -</u>
Total	<u>\$ 470,255</u>	<u>\$ 31,760</u>

The \$168,508 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

2018	\$ 86,076
2019	86,076
2020	61,636
2021	36,199

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

*Actuarial assumptions* - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.00 - 8.20%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined equity	44.0%	5.40%
Combined fixed income	19.0%	1.50%
Real return (diversified inflation strategies)	10.0%	3.50%
Real estate	5.0%	4.50%
Absolute return (diversified hedge funds)	10.0%	4.25%
Private equity	10.0%	8.50%
Cash	<u>2.0%</u>	(0.25)%
Total	<u>100.0%</u>	

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. equity	45.0%	6.4%
Non U. S. equity	17.0%	6.5%
Fixed income	24.0%	1.6%
High yield bonds	4.0%	3.1%
Real estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	<u>2.0%</u>	1.5%
Total	<u>100.0%</u>	

*Discount rate* - For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note H - Retirement Plans, continued

For KTRS, the discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate* - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ 1,919,285	\$ 1,540,173	\$ 1,215,169
KTRS	3.20%	4.20%	5.20%
District's proportionate share of net pension liability	--	--	--

*Changes of assumptions* - Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total CERS pension liability have been updated, however there were no changes regarding the assumptions for CERS.

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Notes to the Basic Financial Statements, continued**

**For the Year Ended June 30, 2017**

### **Note I - Contingencies**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

### **Note J - Litigation**

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

### **Note K - Insurance and Related Activities**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated and does include Workers' Compensation insurance.

### **Note L - Risk Management**

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District purchases commercial insurance from Liberty Mutual Insurance Group and KEMI.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note M - Deficit Operating Balances**

There are no funds of the District that currently have a deficit fund balance.

### **Note N - Cobra**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).



# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Notes to the Basic Financial Statements, continued

For the Year Ended June 30, 2017

### Note O - Transfer of Funds

The following transfers were made during the year:

<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special	KETS matching	\$ 16,065
Capital outlay	Debt service	Debt payments	65,000
Capital outlay	General	Property additions	31,573
Building	Debt service	Debt payments	456,977
Building	General	Property additions	160,633

### Note P - KSBIT Assessment

The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide coverage through nonprofit self-insured pools authorized under Kentucky law. In a memo to members on January 14, 2013, KSBIT informed its members that despite years of work to eliminate deficits in these pools, that their most recent financial statements indicated a significant increase in the deficits of the pools, which under law require corrective action. Subsequent to the 2014 year end, the Franklin Circuit Court issued an order instructing the former members to pay their required share of the assessment. Based on the Court's assessment plan, the Eminence Independent Board of Education was assessed \$44,019 for liability and \$34,034 for workers' compensation, totaling \$78,053. This assessed total was included in the 2014 government-wide financial statements for the District. The District has elected to pay the liability in an installment plan at zero percent interest over a seven year period.

Aggregate payments required on the KSBIT liability for the next four years are as follows:

2018	\$ 4,254
2019	4,254
2020	4,254
2021	4,254
	<u>\$ 17,016</u>

### Note Q - On-Behalf Payments

The District receives on-behalf payments from various state agencies for the employer's portion of health benefits, Kentucky Teachers' Retirement System (KTRS), technology and debt services. The amount received for the fiscal year ended June 30, 2017, was \$1,502,507. These payments were recorded as follows:

General fund	\$ 1,249,311
Food services fund	54,402
Debt service fund	198,794
	<u>\$ 1,502,507</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Notes to the Basic Financial Statements, continued**

**For the Year Ended June 30, 2017**

**Note R - Subsequent Events**

Subsequent events have been evaluated through November 3, 2017 which is the date the financial statements were available to be issued.

**Required Supplementary Information**

**Budgetary Comparison and  
Pension Schedules**

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Budget and Actual - General Fund**

**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Final Budget Variance Favorable (Unfavorable)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
Revenues:				
From local sources:				
Taxes	\$ 1,109,000	\$ 1,099,000	\$ 1,373,823	\$ 274,823
Earnings on investments	5,000	5,000	2,932	(2,068)
Other local revenues	25,534	212,704	304,247	91,543
Intergovernmental - state	3,659,000	3,957,434	5,227,380	1,269,946
Intergovernmental - indirect federal	1,000	--	--	--
Intergovernmental - direct federal	<u>6,000</u>	<u>6,000</u>	<u>6,351</u>	<u>351</u>
Total revenues	<u>4,805,534</u>	<u>5,280,138</u>	<u>6,914,733</u>	<u>1,634,595</u>
Expenditures:				
Instruction	3,589,149	3,840,730	4,417,019	(576,289)
Support services:				
Student	135,968	136,042	111,870	24,172
Instructional staff	204,443	303,773	270,248	33,525
District administration	600,834	626,480	540,764	85,716
School administration	318,412	318,791	386,943	(68,152)
Business	112,023	143,873	161,430	(17,557)
Plant operations and maintenance	1,095,414	1,409,154	987,032	422,122
Student transportation	244,256	276,706	195,184	81,522
Central office	--	--	--	--
Food service	--	--	--	--
Community service	--	--	--	--
Facilities acquisition and construction	--	--	--	--
Debt service	52,465	52,095	52,095	--
Other	<u>277,197</u>	<u>281,801</u>	<u>--</u>	<u>281,801</u>
Total expenditures	<u>6,630,161</u>	<u>7,389,445</u>	<u>7,122,585</u>	<u>266,860</u>
Excess (deficit) of revenues over expenditures	<u>(1,824,627)</u>	<u>(2,109,307)</u>	<u>(207,852)</u>	<u>1,901,455</u>
Other financing sources (uses):				
Proceeds from the sale of bonds	--	--	--	--
Proceeds from the sale of assets	--	--	--	--
Operating transfers in	--	--	192,206	192,206
Operating transfers out	<u>(10,000)</u>	<u>(15,000)</u>	<u>(16,065)</u>	<u>(1,065)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(15,000)</u>	<u>176,141</u>	<u>191,141</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,834,627)</u>	<u>(2,124,307)</u>	<u>(31,711)</u>	<u>\$ 2,092,596</u>
Fund balance June 30, 2016	<u>2,131,093</u>	<u>2,131,093</u>	<u>2,131,093</u>	
Fund balance June 30, 2017	<u>\$ 296,466</u>	<u>\$ 6,786</u>	<u>\$ 2,099,382</u>	

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Special Revenue Fund

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Earnings on investments	\$ 50	\$ 50	\$ 12	\$ (38)
Other local revenues	70,509	86,329	75,854	(10,475)
Intergovernmental - state	321,165	340,452	345,746	5,294
Intergovernmental - indirect federal	473,009	576,079	580,527	4,448
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>864,733</u>	<u>1,002,910</u>	<u>1,002,139</u>	<u>(771)</u>
Expenditures:				
Instruction	726,450	853,052	860,613	(7,561)
Support services:				
Student	--	--	--	--
Instructional staff	61,128	77,559	78,454	(895)
District administration	--	--	--	--
School administration	--	--	--	--
Business	1,880	--	--	--
Plant operation and maintenance	--	--	--	--
Student transportation	12,866	12,872	13,073	(201)
Community service	72,409	74,427	66,064	8,363
Other	--	--	--	--
Total expenditures	<u>874,733</u>	<u>1,017,910</u>	<u>1,018,204</u>	<u>(294)</u>
Excess (deficit) of revenues over expenditures	<u>(10,000)</u>	<u>(15,000)</u>	<u>(16,065)</u>	<u>(1,065)</u>
Other financing sources (uses):				
Operating transfers in	10,000	15,000	16,065	1,065
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>10,000</u>	<u>15,000</u>	<u>16,065</u>	<u>1,065</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	--	--	--	<u>\$ --</u>
Fund balance June 30, 2016	<u>--</u>	<u>--</u>	<u>--</u>	
Fund balance June 30, 2017	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of the District's Proportionate Share of the  
Net Pension Liability**

**County Employees' Retirement System**

**For the Last Three Fiscal Years**

	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
District's proportion of the net pension liability (asset)	0.031281%	0.028720%	0.030767%
District's proportionate share of the net pension liability (asset)	\$1,540,173	\$1,234,818	\$ 998,000
District's covered-employee payroll	902,079	793,144	704,032
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.74%	155.69%	141.75%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of the District's Contributions**

**County Employees' Retirement System**

**For the Last Three Fiscal Years**

	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 168,508	\$ 135,310	\$ 123,703
Contributions in relation to the contractually required contribution	<u>(168,508)</u>	<u>(135,310)</u>	<u>(123,703)</u>
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
District's covered-employee payroll	\$ 902,079	\$ 793,144	\$ 704,032
Contributions as a percentage of covered-employee payroll	18.68%	17.06%	17.57%

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of the District's Proportionate Share of the  
Net Pension Liability**

**Kentucky Teachers' Retirement System**

**For the Last Three Fiscal Years**

	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
District's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability (asset)	\$ - -	\$ - -	\$ - -
State's proportionate share of the net pension liability (asset) associated with the District	<u>31,556,265</u>	<u>21,892,700</u>	<u>17,153,719</u>
Total	<u>\$ 31,556,265</u>	<u>\$ 21,892,700</u>	<u>\$ 17,153,719</u>
District's covered-employee payroll	\$ 3,497,802	\$ 3,325,563	\$ 2,883,305
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%



**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of the District's Contributions**

**Kentucky Teachers' Retirement System**

**For the Last Three Fiscal Years**

	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 35,441	\$ 28,347	\$ 23,800
Contributions in relation to the contractually required contribution	<u>(35,441)</u>	<u>(28,347)</u>	<u>(23,800)</u>
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
District's covered-employee payroll	\$ 3,497,802	\$ 3,325,563	\$ 2,883,305
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

**Supplementary Information**  
**Combining Statements - Nonmajor Funds**

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Combining Balance Sheets - Nonmajor Governmental Funds**

**June 30, 2017**

	<b><u>District Activity Fund</u></b>	<b><u>FSPK Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>SEEK Capital Outlay Fund</u></b>	<b><u>Total Nonmajor Governmental Funds</u></b>
<b>Assets and Resources</b>					
Cash and cash equivalents	\$ 18,897	\$ 72,036	\$ - -	\$	\$ 90,933
Total assets and resources	<u>\$ 18,897</u>	<u>\$ 72,036</u>	<u>\$ - -</u>	<u>\$</u>	<u>\$ 90,933</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -
Unavailable revenue	<u>18,897</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>18,897</u>
Total liabilities	<u>18,897</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>18,897</u>
Fund balances:					
Committed - other	- -	- -	- -	- -	- -
Committed - future construction	- -	- -	- -	- -	- -
Restricted	- -	72,036	- -	- -	72,036
Unassigned	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total fund balances	<u>- -</u>	<u>72,036</u>	<u>- -</u>	<u>- -</u>	<u>72,036</u>
Total liabilities and fund balances	<u>\$ 18,897</u>	<u>\$ 72,036</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ 90,933</u>

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	<u>District Activity Fund</u>	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
From local sources:					
Taxes:					
Property	\$    --	\$ 164,932	\$    --	\$    --	\$ 164,932
Motor vehicle	--	--	--	--	--
Earnings from investments	--	14	--	--	14
Other local revenues	42,350	--	--	--	42,350
Intergovernmental - state	--	473,079	198,794	81,250	753,123
Intergovernmental - indirect federal	--	--	--	--	--
Intergovernmental - direct federal	--	--	--	--	--
Total revenues	<u>42,350</u>	<u>638,025</u>	<u>198,794</u>	<u>81,250</u>	<u>960,419</u>
Expenditures:					
Instruction	34,038	--	--	--	34,038
Support services:					
Student	--	--	--	--	--
Instruction staff	8,312	--	--	--	8,312
Student transportation	--	--	--	--	--
Facilities acquisition and construction	--	--	--	--	--
Debt service:					
Principal	--	--	453,657	--	453,657
Interest	--	--	267,114	--	267,114
Other	--	--	--	--	--
Total expenditures	<u>42,350</u>	<u>--</u>	<u>720,771</u>	<u>--</u>	<u>763,121</u>
Excess (deficit) of revenues over expenditures	<u>--</u>	<u>638,025</u>	<u>(521,977)</u>	<u>81,250</u>	<u>197,298</u>
Other financing sources (uses):					
Proceeds from the sale of bonds	--	--	--	--	--
Bond issuance costs	--	--	--	--	--
Operating transfers in	--	--	521,977	--	521,977
Operating transfers out	--	(617,610)	--	(96,573)	(714,183)
Total other financing sources (uses)	<u>--</u>	<u>(617,610)</u>	<u>521,977</u>	<u>(96,573)</u>	<u>(192,206)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	<u>--</u>	<u>20,415</u>	<u>--</u>	<u>(15,323)</u>	<u>5,092</u>
Fund balance June 30, 2016	<u>--</u>	<u>51,621</u>	<u>--</u>	<u>15,323</u>	<u>\$ 66,944</u>
Fund balance June 30, 2017	<u>\$ --</u>	<u>\$ 72,036</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 72,036</u>

**Statements of Receipts, Disbursements and Changes  
In Fund Balances**

**Eminence Combined High School and  
Middle School and Elementary  
Activity Funds**

# EMINENCE INDEPENDENT BOARD OF EDUCATION

## Statement of Receipts, Disbursements and Fund Balances Eminence Independent High School and Middle School Activity Funds

For the Year Ended June 30, 2017

<u>Accounts</u>	<u>Fund Balances June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2017</u>
Academic Team H/S	\$ --	\$ 430	\$ 430	\$ --
Academic Team M/S	--	410	410	--
ACES	--	19,468	19,368	100
Agriculture Club	268	394	299	363
Archery Club	597	420	689	328
Art Club	558	673	436	795
Athletics	15	29,037	29,052	--
Band	1,295	5,126	5,192	1,229
Baseball – H/S	787	2,585	3,364	8
Baseball – M/S	--	1,637	1,633	4
Board Game Club	--	150	79	71
Book club	13	--	--	13
Boys' Basketball - high school	4,898	10,166	11,916	3,148
Boys' Basketball - middle school	692	2,178	939	1,931
CBI	1,515	1,642	1,582	1,575
Cheerleading - high school	2,115	1,966	3,079	1,002
Cheerleading - middle school	1,382	7,264	5,324	3,322
College On Line	38	310	345	3
Cooking Class	47	58	--	105
Cross Country	626	430	350	706
Dance Event – M/S	--	442	431	11
Edhub Events	--	524	524	--
Education Funds	2	1,637	1,637	2
Faculty	49	--	--	49
FCA	197	--	--	197
FEA	136	--	--	136
Fees	--	9,217	9,067	150
Field Day	266	1,227	1,354	139
Football	4,738	26,227	24,761	6,204
Freshman	505	2,100	691	1,914
General	8,461	9,239	11,861	5,839
Girls' Basketball - high school	3,076	7,901	6,485	4,492
Girls' Basketball - middle school	493	2,199	2,539	153
Grade 6	260	605	831	34
Grade 7	1,306	1,206	1,847	665
Grade 8	1,814	14,688	15,927	575
Judy Lea Memorial - high school	347	500	715	132
Judy Lea Memorial - middle school	780	--	80	700
Junior Beta Club	3,634	3,215	3,517	3,332
Juniors	3,251	1,800	2,478	2,573
Latin/Spanish Club	--	3,535	3,535	--
Life Skills	--	160	--	160
National Honor Society	61	1,146	919	288
NCKC League	1,302	3,525	4,216	611
Odyssey of the Mind	529	7,921	7,523	927

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Statement of Receipts, Disbursements and Fund Balances** **Eminence Independent High School and Middle School Activity Funds, continued**

**For the Year Ended June 30, 2017**

<u>Accounts</u>	<u>Fund Balances June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2017</u>
Pep Club	\$ 1,045	\$ 2,135	\$ 2,687	\$ 493
PLTW	- -	270	- -	270
Senior Beta Club	2,011	1,415	2,291	1,135
Senior Drama Club	5,108	10,249	9,992	5,365
Seniors	1,046	40,027	39,202	1,871
Service Learning	131	2,016	2,069	78
Softball	64	3,980	4,036	8
Sophomores	1,193	4,947	1,388	4,752
Spark Literary Club	13	- -	- -	13
Staff Donations	165	500	300	365
STLP H/S	53	84	120	17
STLP M/S	16	77	77	16
Student Council	1	- -	- -	1
Student Outreach	1,566	- -	- -	1,566
SWAT Business Administration	20	- -	- -	20
The Green Club	12	- -	- -	12
Track	150	235	382	3
Volleyball H/S	3,088	6,903	6,502	3,489
Volleyball M/S	1,870	2,039	3,461	448
Yearbook	7,726	7,256	4,393	10,589
5/6 Football	56	- -	- -	56
7/8 Football	532	3,983	4,296	219
	<u>\$ 71,919</u>	<u>\$ 269,474</u>	<u>\$ 266,621</u>	<u>\$ 74,772</u>

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Statement of Receipts, Disbursements and Fund Balances  
Eminence Independent Elementary School**

**For the Year Ended June 30, 2017**

<u>School</u>	<u>Fund Balances June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2017</u>
Eminence Independent Elementary School	<u>\$ 8,970</u>	<u>\$ 60,378</u>	<u>\$ 53,949</u>	<u>\$ 15,399</u>



## **Schedule of Expenditures of Federal Awards**

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2017**

	<u><b>CFDA Number</b></u>	<u><b>Pass-Through Number</b></u>	<u><b>Federal Expenditures</b></u>
<u>U.S. Department of Education:</u>			
Title I, Grants to Local Educational Agencies	84.010	3100002-16	\$ 186,075
Title I, Grants to Local Educational Agencies	84.010	3100002-15	<u>205</u>
Total			<u>186,280</u>
 Career and Technical Education - Basic Grants to States	 84.048	 3710002-16	 19,574
Career and Technical Education - Basic Grants to States	84.048	3710002-15	<u>322</u>
			<u>19,896</u>
 Special Education Cluster:			
Special Education - Grants to States	84.027	3810002-16	135,983
Special Education - Grants to States	84.027	3810002-15	18,221
Special Education - Grants to States	84.027	3810002-14	2,037
Special Education - Preschool Grants	84.173	3800002-16	<u>2,914</u>
Total			<u>159,155</u>
 Education for Homeless Children and Youth	 84.196	 3990002-16	 63,179
Education for Homeless Children and Youth	84.196	3990002-15	<u>6,577</u>
Total			<u>69,756</u>
 Rural Education	 84.358	 3140002-16	 17,157
Rural Education	84.358	3140002-15	<u>2,550</u>
Total			<u>19,707</u>
 Improving Teacher Quality State Grants	 84.367	 3230002-16	 <u>29,595</u>
Total			<u>29,595</u>
 Twenty-First Century Community Learning Centers	 84-287	 3400002-16	 70,544
Twenty-First Century Community Learning Centers	84-287	3400002-15	<u>25,596</u>
Total			<u>96,140</u>
 Total U.S. Department of Education			 <u>\$ 580,529</u>
Passed through the Kentucky Department of Education			

See accompanying notes to Schedule of Expenditures of Federal Awards.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Expenditures of Federal Awards, continued**

**For the Year Ended June 30, 2017**

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	7760005-16 7760005-17	\$ 19,667 <u>59,756</u> 79,423
National School Lunch Program	10.555	7750002-16 7750002-17	58,976 <u>204,122</u> <u>263,098</u>
Total Child Nutrition Cluster			<u>342,521</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-14	<u>25,000</u>
Food Donations	10.565	057502-16	<u>18,172</u>
Total U.S. Department of Agriculture Passed through the Kentucky Department of Education			<u>\$ 385,693</u>
Total Federal Financial Awards			<u><u>\$ 966,222</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# **EMINENCE INDEPENDENT BOARD OF EDUCATION**

## **Notes to the Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2017**

### **Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

### **Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

### **Note C - Non-cash Donations**

Food donations listed as CFDA# 10.565 are non-cash assistance in the form of USDA food commodities.

## **Schedule of Findings and Questioned Costs**

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2017**

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster:</u>
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84.010	Title I
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

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**Section II - Financial Statement of Findings**

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No matters were reported.

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**Section III - Federal Award Findings and Questioned Costs**

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No matters were reported.

**EMINENCE INDEPENDENT BOARD OF EDUCATION**

**Schedule of Prior Year Audit Findings**

**For the Year Ended June 30, 2017**

There were no prior year audit findings.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***



**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Kentucky State Committee for  
School District Audits  
Eminence Independent Board of Education  
Eminence, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eminence Independent Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 3, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 3, 2017.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky  
November 3, 2017

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Kentucky State Committee for  
School District Audits  
Eminence Independent Board of Education  
Eminence, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Eminence Independent Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2017. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Eminence Independent Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Louisville, Kentucky  
November 3, 2017

## **Management Letter Comments**

**HENDERMAN, JESSEE & COMPANY, PLLC**  
*Certified Public Accountants*

Eminence Independent Board of Education  
291 West Broadway Street  
Eminence, Kentucky 40019

In planning and performing our audit of the basic financial statements of Eminence Independent Board of Education (the "Board") for the year ended June 30, 2017, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

**Other Matters Noted:**

Prior Year Recommendations

1. None noted in prior year.

Current Year Recommendations

1. None noted in the current year.

We have enjoyed working with the management and staff of the Eminence Independent Board of Education and look forward to a continuing mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted,



Louisville, Kentucky  
November 3, 2017